Nkomazi Municipality

Nkomazi Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

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General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	
Executive Mayor	Mkhatshwa JM
Speaker	Mashele SJ
Chief whip	Ngcane EZ
Other mayoral committee members	Mabuza S (MMC - Budget and Treasury)
	Hlophe NC (MMC - Planning and Development)
	Mahlalela SS (MMC - Corporate Services)
	Mkhatshwa TM (MMC - Community and Social Services)
	Mziako PM (MMC - Infrastructure)
Councillors	Dikiza GK
	Khoza DM
	Khoza MR
	Dlamini NG
	Dlamini-Zitha SP
	Lubisi MT
	Lubisi NF
	Luphoko PC
	Lusibane FN
	Mabuza VE
	Magagula BS
	Magagula PP
	Magagula FK
	Mahlalela MM
	Malaza BB
	Manzini NE
	Maphanga NP
	Mashaba CT
	Masilela TE
	Mathonsi SS
	Mavuso DD
	Mazibuko DG
	Mhlongo BL
	Mkhatshwa IP
	Mkhatshwa SL
	Mkhonto BE
	Mkhonto DG
	Mndawe SO
	Mogibe GN
	Moosa VC
	Motha CM
	Mtetwa JM
	Mthombo TM
	Ndlovu PF
	Ngomane FN
	Ngomane LP
	Ngomane MP
	Ngomane GB

General Information

	Ngomane SW Nkala KP Nkalanga ML Nkosi JM Nkosi TS Nyambi VT Preddy MMS Shabangu JC Shisane TC Shongwe BC Shongwe MD Shongwe NF Shungube ZI Sibiya GP Siboza JT Sindane MJ (Deceased) Sithole SH Thumbathi NP Tiwane BM Vuma LT
Grading of local authority	4
Accounting Officer	Ngwenya M D
Chief Finance Officer (CFO)	Thobela T S
Business address	9 Park Street Civic centre Malelane 1320
Postal address	Private Bag X101 Malelane 1320
Bankers	Standard Bank Nelspruit
Auditors	The Auditor General
Demarcation code	MP324

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Acronyms

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
AFS	Annual financial statements
IAS	International Accounting Standards
SOFP	Statement of Financial Position
SOCINA	Statement of Changes in Net Assets
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
PPE	Property, plant and equipment
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
mSCOA	Municipal Standard Chart of Accounts
AP	Accounting Policy

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the MFMA, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

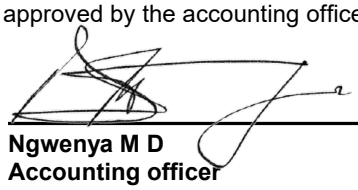
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

The annual financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020.



Ngwenya M D
Accounting officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

surplus of the municipality was R 218 588 600 (2019: surplus R 240 871 305).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 2 458 138 044 and that the municipality's total assets exceed its liabilities by R 2 458 138 044.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Due to the rapid development of the COVID-19 pandemic the South African government declared a state of disaster and placed the entire country under a national lockdown. The resulting impact of the virus and the subsequent lockdown of the country on the operations of the municipality severely affected the municipality’s ability to render basic services and contain the spread of the virus effectively. However, through implementing strict measurements and proper planning of activities the municipality was able to continue rendering effective basic services to the communities.

The curtailing of economic activities however did have a negative effect on the financial results of the municipality during the period under review.

The municipality debtor’s average collection rate declined from 96% to 89% as many consumers were unable to continue to service their consumer accounts due to the slowdown in the economic outlook of the country to the pandemic. The sale of electricity also declined during the lockdown period which led to a reduction of service income and the subsequent loss of profit on such sales.

3. Subsequent events

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year which requires adjustment or disclosure in the annual financial statements, except for the event disclosed under the note 50 "Events after the reporting date".

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board, in accordance with Section 122(3) of the MFMA. The impact on the results of the municipality in adopting the above policies is reflected in note 1 to the financial statement.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Ngwenya M D	SA

6. Auditors

The Auditor General will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Current Assets			
Operating lease asset	7	11 956	49 531
Inventories	9	6 801 049	5 253 221
Receivables from exchange transactions	10	11 367 112	1 024 622
Receivables from non-exchange transactions	11	88 713 280	62 692 970
VAT receivable	12	57 459 165	55 918 048
Consumer debtors	13	39 724 975	31 889 028
Cash and cash equivalents	14	218 737 222	205 822 074
		422 814 759	**362 649 494**
Non-Current Assets			
Investment property	3	11 142 065	14 090 187
Property, plant and equipment	4	2 252 549 690	2 092 705 796
Intangible assets	5	733 226	1 034 264
Heritage assets	6	1 621 944	1 621 944
Operating lease asset	7	-	11 956
Receivables from exchange transactions	10	21 535 773	18 853 794
		2 287 582 698	**2 128 317 941**
Total Assets		**2 710 397 457**	**2 490 967 435**
Liabilities			
Current Liabilities			
Operating lease liability	7	151 732	-
Finance lease obligation	15	529 993	2 194 378
Unspent conditional grants and receipts	16	189 044	888 056
Provisions	17	35 598 332	33 337 167
Payables from exchange transactions	18	165 923 239	120 733 454
		202 392 340	**157 153 055**
Non-Current Liabilities			
Operating lease liability	7	76 839	246 576
Employee benefit obligation	8	32 615 154	37 542 000
Finance lease obligation	15	-	529 993
Provisions	17	17 175 080	25 056 882
		49 867 073	**63 375 451**
Total Liabilities		**252 259 413**	**220 528 506**
Net Assets		**2 458 138 044**	**2 270 438 929**
Accumulated surplus		2 458 138 044	2 270 438 929

* See Note 47

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	149 324 291	144 568 061
Rental of facilities and equipment	20	4 357 740	4 974 158
Interest received (trading)	21	7 691 111	7 305 613
Agency services	22	1 362 415	13 068 155
Licences and permits	23	967 633	27 419
Recoveries	25	69 448	209 144
Other income	25	3 483 890	5 453 988
Interest received - external	26	24 782 281	27 648 707
Gain on disposal of assets		171 963	1 889 080
Actuarial gains		8 314 846	1 949 000
Inventories reversal		177 285	-
Total revenue from exchange transactions		**200 702 903**	**207 093 325**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	102 327 280	94 404 808
Transfer revenue			
Government grants & subsidies	28	876 866 570	821 172 599
Public contributions and donations	29	7 500 000	3 491 815
Fines, Penalties and Forfeits	24	6 385 173	14 565 676
Total revenue from non-exchange transactions		**993 079 023**	**933 634 898**
Total revenue		**1 193 781 926**	**1 140 728 223**
Expenditure			
Employee related costs	30	(427 512 358)	(406 073 563)
Remuneration of councillors	31	(33 336 170)	(33 643 902)
Depreciation and amortisation	32	(72 325 335)	(66 137 553)
Impairment loss	33	(19 411 775)	(8 727 960)
Finance costs	36	(895 264)	(823 627)
Lease rentals on operating lease	34	(6 641 096)	(6 514 756)
Debt Impairment	37	(5 331 645)	(20 637 535)
Bulk purchases	38	(92 259 300)	(83 318 535)
Contracted services	39	(158 901 624)	(146 287 392)
Transfers and Subsidies	35	(821 405)	(1 054 758)
Operational expenditure	40	(157 757 354)	(126 637 337)
Total expenditure		**(975 193 326)**	**(899 856 918)**
Surplus for the year		**218 588 600**	**240 871 305**

* See Note 47

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2018	**2 027 975 451**	**2 027 975 451**
Changes in net assets		
Surplus for the year	240 871 305	240 871 305
Total changes	240 871 305	240 871 305
Opening balance as previously reported	2 268 846 756	2 268 846 756
Adjustments		
Correction of errors	1 592 173	1 592 173
Restated* Balance at 01 July 2019 as restated*	**2 270 438 929**	**2 270 438 929**
Changes in net assets		
Surplus for the year	218 588 600	218 588 600
Application of new interpretation standard (iGRAP18)	(30 889 485)	(30 889 485)
Total changes	187 699 115	187 699 115
Balance at 30 June 2020	**2 458 138 044**	**2 458 138 044**
Note(s)	47	

* See Note 47

Cash Flow Statement

	Note(s)	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Property rates and other		235 608 192	277 039 103
Grants		876 866 568	821 172 599
Interest income		24 782 281	27 648 707
		1 137 257 041	1 125 860 409
Payments			
Employee costs		(460 848 528)	(437 966 601)
Suppliers		(388 854 352)	(436 756 166)
Finance costs		(895 264)	(823 627)
		(850 598 144)	(875 546 394)
Net cash flows from operating activities	42	**286 658 897**	**250 314 015**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(272 609 547)	(249 752 272)
Proceeds from sale of property, plant and equipment		1 129 233	-
Purchase of other intangible assets	5	(69 057)	(116 040)
Net cash flows from investing activities		**(271 549 371)**	**(249 868 312)**
Cash flows from financing activities			
Finance lease payments		(2 194 378)	(1 217 940)
Net increase/(decrease) in cash and cash equivalents		**12 915 148**	**(772 237)**
Cash and cash equivalents at the beginning of the year		205 822 074	206 594 311
Cash and cash equivalents at the end of the year	14	**218 737 222**	**205 822 074**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	167 364 872	(14 881 761)	**152 483 111**	149 324 291	**(3 158 820)**	56
Rental of facilities and equipment	5 063 452	(903 572)	**4 159 880**	4 357 740	**197 860**	
Interest received (trading)	8 011 699	(238 325)	**7 773 374**	7 691 111	**(82 263)**	
Agency services	9 425 106	(7 723 234)	**1 701 872**	1 362 415	**(339 457)**	56
Licences and permits	37 627	1 129 285	**1 166 912**	967 633	**(199 279)**	56
Recoveries	317 591	(250 343)	**67 248**	69 448	**2 200**	56
Other income	3 908 807	(679 899)	**3 228 908**	3 483 890	**254 982**	56
Interest received - external	24 590 363	7 253 146	**31 843 509**	24 782 281	**(7 061 228)**	56
Total revenue from exchange transactions	**218 719 517**	**(16 294 703)**	**202 424 814**	**192 038 809**	**(10 386 005)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	118 388 871	(17 869 757)	**100 519 114**	102 327 280	**1 808 166**	
Transfer revenue						
Government grants & subsidies	897 144 000	(21 203 921)	**875 940 079**	876 866 570	**926 491**	
Public contributions and donations	-	-	**-**	7 500 000	**7 500 000**	56
Fines, Penalties and Forfeits	30 591 786	(14 899 817)	**15 691 969**	6 385 173	**(9 306 796)**	56
Total revenue from non-exchange transactions	**1 046 124 657**	**(53 973 495)**	**992 151 162**	**993 079 023**	**927 861**	
Total revenue	**1 264 844 174**	**(70 268 198)**	**1 194 575 976**	**1 185 117 832**	**(9 458 144)**	
Expenditure						
Personnel	(391 900 624)	6 574 878	**(385 325 746)**	(427 512 358)	**(42 186 612)**	56
Remuneration of councillors	(25 167 668)	(2 578 674)	**(27 746 342)**	(33 336 170)	**(5 589 828)**	56
Depreciation and amortisation	(61 197 763)	(11 608 179)	**(72 805 942)**	(72 325 335)	**480 607**	
Impairment loss/ Reversal of impairments	-	-	**-**	(19 411 775)	**(19 411 775)**	
Finance costs	(692 458)	188 229	**(504 229)**	(895 264)	**(391 035)**	56
Lease rentals on operating lease	(9 975 617)	922 466	**(9 053 151)**	(6 641 096)	**2 412 055**	56
Debt Impairment	(22 199 697)	-	**(22 199 697)**	(5 331 645)	**16 868 052**	
Bulk purchases	(75 032 993)	(11 889 830)	**(86 922 823)**	(92 259 300)	**(5 336 477)**	
Contracted Services	(145 817 723)	(12 778 800)	**(158 596 523)**	(158 901 624)	**(305 101)**	
Transfers and Subsidies	(1 509 690)	374 921	**(1 134 769)**	(821 405)	**313 364**	
General Expenses	(179 585 623)	(54 290 151)	**(233 875 774)**	(157 757 354)	**76 118 420**	56
Total expenditure	**(913 079 856)**	**(85 085 140)**	**(998 164 996)**	**(975 193 326)**	**22 971 670**	
Operating surplus	**351 764 318**	**(155 353 338)**	**196 410 980**	**209 924 506**	**13 513 526**	
Gain on disposal of assets	-	-	**-**	171 963	**171 963**	
Actuarial gains	-	-	**-**	8 314 846	**8 314 846**	
Inventories losses/write-downs	-	-	**-**	177 285	**177 285**	
	-	**-**	**-**	**8 664 094**	**8 664 094**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Surplus before taxation	**351 764 318**	**(155 353 338)**	**196 410 980**	**218 588 600**	**22 177 620**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**351 764 318**	**(155 353 338)**	**196 410 980**	**218 588 600**	**22 177 620**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Operating lease asset	22 542	29 987	**52 529**	11 956	**(40 573)**	
Inventories	4 039 291	1 429 317	**5 468 608**	6 801 049	**1 332 441**	
Receivables from exchange transactions	-	-	**-**	11 367 112	**11 367 112**	56
Receivables from non-exchange transactions	60 348 877	19 658 061	**80 006 938**	88 713 280	**8 706 342**	
VAT receivable	49 599 784	8 807 915	**58 407 699**	57 459 165	**(948 534)**	
Consumer debtors	26 996 728	12 678 696	**39 675 424**	39 724 975	**49 551**	
Cash and cash equivalents	177 350 706	(3 153 677)	**174 197 029**	218 737 222	**44 540 193**	56
	318 357 928	**39 450 299**	**357 808 227**	**422 814 759**	**65 006 532**	
Non-Current Assets						
Investment property	28 953 981	(14 070 792)	**14 883 189**	11 142 065	**(3 741 124)**	
Property, plant and equipment	2 726 104 649	(420 971 070)	**2 305 133 579**	2 252 549 690	**(52 583 889)**	
Intangible assets	1 509 764	(186 675)	**1 323 089**	733 226	**(589 863)**	56
Heritage assets	1 621 944	-	**1 621 944**	1 621 944	**-**	
Receivables from exchange transactions	-	-	**-**	21 535 773	**21 535 773**	56
Operating lease asset	60 692	3 793	**64 485**	-	**(64 485)**	
	2 758 251 030	**(435 224 744)**	**2 323 026 286**	**2 287 582 698**	**(35 443 588)**	
Total Assets	**3 076 608 958**	**(395 774 445)**	**2 680 834 513**	**2 710 397 457**	**29 562 944**	
Liabilities						
Current Liabilities						
Finance lease obligation	2 245 895	38 453	**2 284 348**	529 993	**(1 754 355)**	56
Operating lease liability	-	-	**-**	151 732	**151 732**	56
Unspent conditional grants and receipts	-	-	**-**	189 044	**189 044**	56
Provisions	67 867 946	(33 595 370)	**34 272 576**	35 598 332	**1 325 756**	56
Payables from exchange transactions	129 245 703	33 512 310	**162 758 013**	165 923 239	**3 165 226**	56
	199 359 544	**(44 607)**	**199 314 937**	**202 392 340**	**3 077 403**	
Non-Current Liabilities						
Finance lease obligation	2 147 311	(1 595 589)	**551 722**	-	**(551 722)**	56
Operating lease liability	75 287	181 398	**256 685**	76 839	**(179 846)**	
Employee benefit obligation	14 081 020	1 433 003	**15 514 023**	32 615 154	**17 101 131**	56
Provisions	25 924 066	160 143	**26 084 209**	17 175 080	**(8 909 129)**	56
	42 227 684	**178 955**	**42 406 639**	**49 867 073**	**7 460 434**	
Total Liabilities	**241 587 228**	**134 348**	**241 721 576**	**252 259 413**	**10 537 837**	
Net Assets	**2 835 021 730**	**(395 908 793)**	**2 439 112 937**	**2 458 138 044**	**19 025 107**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 835 021 730	(395 908 793)	**2 439 112 937**	2 458 138 044	**19 025 107**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, rounded off to the nearest tenth.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These interim loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable service amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of PPE and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for PPE and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Accounting Policies

1.3 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	10 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	N/A	Indefinite
Buildings	Straight line	5 -30 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	4 - 15 years
IT equipment	Straight line	3 - 10 years
Infrastructure	Straight line	.
- Roads and storm water	Straight line	3 - 100 years
- Electricity	Straight line	3 - 80 years
- Water	Straight line	10 - 100 years
- Sewerage	Straight line	10 - 60 years
- Solid waste disposal	Straight line	5 - 55 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the notes.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Game

The municipality recognises game as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumuated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	2 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Accounting Policies

1.6 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies

1.7 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

Accounting Policies

1.8 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1.10 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The first in, first out (FIFO) cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid interim leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;

Accounting Policies

1.13 Employee benefits (continued)

- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an interim basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Accounting Policies

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2022/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

1.26 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

1.29 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are basefd on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

	2020 R	2019 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	No material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	No material impact
• GRAP 108: Statutory Receivables	01 April 2019	No material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	No material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	No material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Likely to have material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	No material impact
• IGRAP 19: Liabilities to Pay Levies		

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	May have a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

	2020 R	2019 R

3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15 544 854	(4 402 789)	11 142 065	19 040 354	(4 950 167)	14 090 187

Reconciliation of investment property - 2020

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	14 090 187	(2 703 500)	(154 306)	(90 316)	11 142 065

Reconciliation of investment property - 2019

	Opening balance	Opening balance adjustment	Impairments	Depreciation	Total
Investment property	15 281 327	(793 000)	(299 147)	(98 993)	14 090 187

Pledged as security

Carrying value of assets pledged as security:

Impairment of assets

Investment property impaired

Investment property	154 306	299 147

Other disclosure

There were no operating costs incurred related to the investment property.

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	139 104 276	(24 774 319)	114 329 957	167 271 388	(32 255 446)	135 015 942
Buildings	238 697 026	(72 568 971)	166 128 055	216 264 552	(63 293 718)	152 970 834
Plant and machinery	33 761 819	(15 671 312)	18 090 507	30 407 879	(15 649 584)	14 758 295
Furniture and fixtures	15 879 322	(11 735 334)	4 143 988	16 460 254	(10 707 083)	5 753 171
Motor vehicles	61 487 420	(35 910 972)	25 576 448	56 559 651	(33 207 827)	23 351 824
IT equipment	10 631 768	(7 485 072)	3 146 696	13 774 915	(8 392 222)	5 382 693
Infrastructure - Electricity	118 253 272	(29 987 972)	88 265 300	110 639 284	(24 959 995)	85 679 289
Infrastructure - Roads	440 772 914	(112 774 761)	327 998 153	373 131 263	(98 879 082)	274 252 181
Infrastructure - Storm water	60 943 734	(6 894 411)	54 049 323	62 857 813	(6 568 291)	56 289 522
Game	7 057 572	-	7 057 572	5 601 287	-	5 601 287
Infrastructure - Sewerage	18 766 079	(3 247 022)	15 519 057	18 766 079	(1 923 504)	16 842 575
Infrastructure - Solid waste	32 090 693	(23 073 307)	9 017 386	31 771 213	(22 521 122)	9 250 091
Infrastructure - Water	1 309 700 286	(325 121 647)	984 578 639	1 139 842 832	(277 276 786)	862 566 046
Capital work in progress	434 648 609	-	434 648 609	444 992 046	-	444 992 046
Total	**2 921 794 790**	**(669 245 100)**	**2 252 549 690**	**2 688 340 456**	**(595 634 660)**	**2 092 705 796**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Donations / additions non-cash	Disposals	Transfers from WIP	Transfers to WIP	Depreciation	Impairment loss	Total
Land	135 015 942	-	7 500 000	(28 185 985)	-	-	-	-	114 329 957
Buildings	152 970 834	25 068 322	-	-	22 432 474	(25 068 322)	(7 605 152)	(1 670 101)	166 128 055
Plant and machinery	14 758 295	7 150 669	-	(945 042)	-	-	(2 306 053)	(567 362)	18 090 507
Furniture and fixtures	5 753 171	119 086	-	(30 445)	-	-	(1 559 522)	(138 302)	4 143 988
Motor vehicles	23 351 824	9 081 164	-	(593 114)	-	-	(2 719 027)	(3 544 399)	25 576 448
IT equipment	5 382 693	216 313	-	(399 275)	-	-	(1 594 481)	(458 554)	3 146 696
Infrastructure - Electricity	85 679 289	3 702 013	-	-	3 911 975	-	(3 861 949)	(1 166 028)	88 265 300
Infrastructure - Roads	274 252 181	68 354 441	-	-	47 834 303	(50 461 172)	(11 693 089)	(288 511)	327 998 153
Infrastructure - Storm water	56 289 522	-	-	-	-	-	(1 200 083)	(1 040 116)	54 049 323
Game	5 601 287	434 782	1 232 303	(210 800)	-	-	-	-	7 057 572
Infrastructure - Sewerage	16 842 575	3 543 558	-	-	-	(3 543 558)	(332 826)	(990 692)	15 519 057
Infrastructure - Solid waste	9 250 091	319 480	-	-	-	-	(177 794)	(374 391)	9 017 386
Infrastructure - Water	862 566 046	154 619 719	-	-	160 089 182	(144 851 445)	(38 825 850)	(9 019 013)	984 578 639
Capital work in progress	444 992 046	-	-	-	(234 267 934)	223 924 497	-	-	434 648 609
	2 092 705 796	**272 609 547**	**8 732 303**	**(30 364 661)**	**-**	**-**	**(71 875 826)**	**(19 257 469)**	**2 252 549 690**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Opening balance adjustment	Disposals	Transfers from WIP	Transfers to WIP	Depreciation	Impairment loss	Total
Land	135 817 469	-	2 293 000	-	-	-	-	(3 094 527)	135 015 942
Buildings	157 119 716	35 841 341	15 327	-	1 944 584	(31 317 892)	(7 055 176)	(3 577 066)	152 970 834
Plant and machinery	11 628 132	3 831 990	1 995 710	-	-	-	(2 525 418)	(172 119)	14 758 295
Furniture and fixtures	2 190 917	1 613 844	2 518 463	-	-	-	(570 053)	-	5 753 171
Motor vehicles	15 983 386	12 945 053	(3 387 958)	-	-	-	(2 188 657)	-	23 351 824
IT equipment	7 421 908	1 187 728	(1 141 799)	-	-	-	(2 085 144)	-	5 382 693
Infrastructure - Electricity	86 057 096	2 869 869	-	-	-	-	(3 247 676)	-	85 679 289
Infrastructure - Roads	342 598 620	89 469 436	(56 289 507)	-	-	(89 349 436)	(12 176 932)	-	274 252 181
Infrastructure - Storm water	-	-	56 289 522	-	-	-	-	-	56 289 522
Game	3 712 208	1 913 478	-	(24 399)	-	-	-	-	5 601 287
Infrastructure - Sewerage	8 929 606	-	8 089 044	-	-	-	(176 075)	-	16 842 575
Infrastructure - Solid waste	9 367 629	140 800	-	-	-	-	(258 338)	-	9 250 091
Infrastructure - Water	807 588 700	103 330 848	(8 089 044)	-	65 196 266	(68 492 218)	(35 383 405)	(1 585 101)	862 566 046
Capital work in progress	322 973 350	-	-	-	(67 140 850)	189 159 546	-	-	444 992 046
	1 911 388 737	**253 144 387**	**2 292 758**	**(24 399)**	**-**	**-**	**(65 666 874)**	**(8 428 813)**	**2 092 705 796**

Pledged as security

No property, plant and equipment were pledged as security:

	2020 R	2019 R

4. Property, plant and equipment (continued)

Impairment of assets

Property, plant and equipment impaired		
Buildings	1 670 101	2 649 213
Infrastructure - Water	9 019 013	1 933 051
Infrastructure - Roads	288 511	-
Infrastructure - Storm water	1 040 116	-
Infrastructure - Sewerage	990 692	-
Infrastructure - Electricity	1 166 028	-
Infrastructure - Solid waste	374 391	-
Furniture and fixtures	138 302	-
Plant and machinery	567 362	-
IT equipment	458 554	-
Motor vehicles	3 544 399	-
	19 257 469	**4 582 264**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	397 168 348	47 823 712	444 992 060
Additions/capital expenditure	198 856 175	25 068 322	223 924 497
Transferred to completed items	(211 835 459)	(22 432 474)	(234 267 933)
	384 189 064	**50 459 560**	**434 648 624**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	304 522 961	18 450 403	322 973 364
Additions/capital expenditure	157 841 653	31 317 892	189 159 545
Transferred to completed items	(65 196 266)	(1 944 583)	(67 140 849)
	397 168 348	**47 823 712**	**444 992 060**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	24 756 976	9 669 631
Inventory	11 241 432	8 705 181
General expenses	1 218 603	2 730 459
	37 217 011	**21 105 271**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2020 R	2019 R

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 181 923	(1 448 697)	733 226	2 397 152	(1 362 888)	1 034 264

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 034 264	69 057	(10 898)	(359 197)	733 226

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Opening balance adjustment	Amortisation	Total
Computer software, other	1 289 654	116 040	256	(371 686)	1 034 264

Pledged as security

No intangible assets were pledged as security.

	2020 R	2019 R

6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 621 944	-	1 621 944	1 621 944	-	1 621 944

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Pledged as security

No heritage assets were pledged as security.

7. Operating lease asset (accrual)

Non-current assets	-	11 956
Current assets	11 956	49 531
Non-current liabilities	(76 839)	(246 576)
Current liabilities	(151 732)	-
	(216 615)	**(185 089)**

8. Employee benefit obligations

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

In-service members that qualify for post employment medical aid benefit are entitled to a subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	14 903 000	13 385 000
Contributions by plan participants	(406 000)	(331 000)
Net expense recognised in the statement of financial performance	(3 480 904)	1 849 000
	11 016 096	**14 903 000**

	2020 R	2019 R

8. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	390 000	372 000
Interest cost	1 569 000	1 294 000
Actuarial (gains) losses	(5 439 904)	183 000
	(3 480 904)	**1 849 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses	(5 439 904)	183 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13.53 %	10.67 %
Consumer price inflation	7.74 %	6.97 %
Health care cost inflation	9.24 %	8.47 %
Net discount rate	3.93 %	2.03 %

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits.

Opening balance	22 639 000	22 557 000
Current service cost	2 292 000	2 403 000
Interest cost	1 827 000	1 972 000
Acturial (gains) / losses	(2 874 942)	(2 132 000)
Expected benefits payments	(2 284 000)	(2 161 000)
	21 599 058	**22 639 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.72 %	8.50 %
Consumer price inflation	3.62 %	4.64 %
Salary increase rate	4.62 %	5.64 %
Net discount rate	3.92 %	2.71 %
Normal retirement age	63	63

9. Inventories

Consumable stores	6 619 426	4 687 485
Water for distribution	181 623	565 736
	6 801 049	**5 253 221**

	2020 R	2019 R

10. Receivables from exchange transactions

Deposits	21 535 773	18 853 794
Sundry debtors	742 122	742 122
Salary advance payment	10 380 333	-
Interest receivable	244 657	282 500
	32 902 885	**19 878 416**
Non-current assets	21 535 773	18 853 794
Current assets	11 367 112	1 024 622
	32 902 885	**19 878 416**

11. Receivables from non-exchange transactions

Allowance for impairment - Fines	(101 091 780)	(97 750 265)
Traffic fines	105 827 782	100 326 705
Consumer debtors - Property rates	90 254 669	64 873 606
Allowance for impairment - Property rates	(6 277 391)	(4 757 076)
	88 713 280	**62 692 970**

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange were pledged as security

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2020, R 7 066 444 (2019: R 6 519 866) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7 066 444	6 519 866

Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 83 188 225 (2019: R 58 353 740) were impaired and provided for.

The amount of the provision was R (6 277 391) as of 30 June 2020 (2019: R (4 757 076)).

The ageing of amounts past due and impaired is as follows:

1 to 2 months	4 641 144	3 819 941
Over 2 months	78 547 081	54 533 799

Notes to the Annual Financial Statements

	2020 R	2019 R

11. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4 757 076)	(4 487 928)
Provision for impairment	(1 520 315)	(269 148)
	(6 277 391)	**(4 757 076)**
Net rates		
Current (0-30 days)	7 066 444	6 519 866
31-60 days	4 290 923	3 508 535
61-90 days	3 807 323	2 823 129
90+ days	68 812 588	47 265 000
	83 977 278	**60 116 530**
Net traffic fines		
30+ days	4 736 002	2 576 440

12. VAT receivable

VAT	57 459 165	55 918 048

VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.

13. Consumer debtors

Gross balances		
Electricity	17 484 553	14 123 327
Water	11 934 638	9 703 400
Waste water	2 630 322	2 300 485
Refuse	2 942 656	2 124 902
Other	7 702 290	6 160 324
	42 694 459	**34 412 438**
Less: Allowance for impairment		
Electricity	(1 216 085)	(1 035 641)
Water	(830 078)	(711 535)
Waste water	(182 944)	(168 691)
Refuse	(204 668)	(155 816)
Other	(535 709)	(451 727)
	(2 969 484)	**(2 523 410)**
Net balance		
Electricity	16 268 468	13 087 686
Water	11 104 560	8 991 865
Waste water	2 447 378	2 131 794
Refuse	2 737 988	1 969 086
Other	7 166 581	5 708 597
	39 724 975	**31 889 028**

	2020 R	2019 R
13. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	6 538 408	7 304 417
31 - 60 days	1 450 493	1 293 779
61 - 90 days	1 663 005	351 900
91+ days	6 616 562	4 137 590
	16 268 468	**13 087 686**
Water		
Current (0 -30 days)	2 203 493	2 489 289
31 - 60 days	1 130 058	575 105
61 - 90 days	411 658	361 667
91+ days	7 359 351	5 565 804
	11 104 560	**8 991 865**
Waste water		
Current (0 -30 days)	377 697	432 122
31 - 60 days	137 182	141 872
61 - 90 days	103 614	95 243
91+ days	1 828 885	1 462 557
	2 447 378	**2 131 794**
Refuse		
Current (0 -30 days)	565 595	537 670
31 - 60 days	205 258	165 120
61 - 90 days	166 903	111 787
91+ days	1 800 232	1 154 509
	2 737 988	**1 969 086**
Other		
Current (0 -30 days)	2 839 730	1 792 774
31 - 60 days	158 804	165 611
61 - 90 days	141 978	120 063
91+ days	4 026 069	3 630 149
	7 166 581	**5 708 597**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 523 410)	(2 181 108)
Contributions to allowance	(446 074)	(342 302)
	(2 969 484)	**(2 523 410)**

Consumer debtors pledged as security

No consumer debtors were pledged as security

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2020 R	2019 R

13. Consumer debtors (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 1 months past due are not considered to be impaired. At 30 June 2020, R 12 524 922 (2019: R 12 556 271) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	12 524 922	12 556 271

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 30 169 537 (2019: R 21 856 167) were impaired and provided for.

The amount of the provision was R (2 969 484) as of 30 June 2020 (2019: R (2 523 408)).

The ageing of amounts past due and impaired is as follows:

1 to 2 months	3 419 592	2 687 261
Over 2 months	26 749 946	19 168 906

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000
Bank balances	213 305 222	200 820 074
Short-term deposits	5 430 000	5 000 000
	218 737 222	**205 822 074**

Short term deposits

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Short term deposits consists of:		
ABSA account no 2068718251	5 430 000	5 000 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
STANDARD BANK - Current account - 032610335	224 759 380	198 392 777	214 041 863	205 200 151	184 855 065	192 888 046
STANDARD BANK - Call account - 0318510316	841 137	793 829	1 424 100	841 137	797 976	1 424 100
ABSA BANK, Current account - 1650 000 087	6 276 674	10 178 961	6 795 400	7 158 516	15 061 347	7 192 539
ABSA BANK, MIG Transfers - 4080254392	-	3 093	60 971	103 573	102 573	84 513
ABSA BANK, MIG Fund - 4077034870	-	11	10	1 845	1 845	1 845
ABSA BANK, Bereavement Fund - 4078501159	-	-	268	-	268	268
ABSA BANK - Liquidity plus - 9309577050	-	2 086	2 086	-	1 000	1 000
Total	**231 877 191**	**209 370 757**	**222 324 698**	**213 305 222**	**200 820 074**	**201 592 311**

	2020 R	2019 R

15. Finance lease obligation

Minimum lease payments due		
- within one year	649 935	2 661 232
- in second to fifth year inclusive	-	649 935
	649 935	3 311 167
less: future finance charges	(119 942)	(586 796)
Present value of minimum lease payments	**529 993**	**2 724 371**
Non-current liabilities	-	529 993
Current liabilities	529 993	2 194 378
	529 993	**2 724 371**

The lease term is 2 & 3 years and the effective borrowing rate is 34.56% & 18.83% . Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were re-negotiated.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	627 647
Integrated National Electrification Grant	145 440	260 409
Water Service Infrastructure Grant	43 604	-
	189 044	**888 056**

Movement during the year

Balance at the beginning of the year	888 056	29 229 510
Additions during the year	306 616 556	290 230 145
Income recognition during the year	(307 315 568)	(318 571 599)
	189 044	**888 056**

	2020 R	2019 R

17. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site	25 056 882	(9 845 052)	1 963 250	17 175 080
Performance Bonus	414 426	28 910	-	443 336
Accumulated Leave	32 922 741	2 232 255	-	35 154 996
	58 394 049	**(7 583 887)**	**1 963 250**	**52 773 412**

Reconciliation of provisions - 2019

	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site	24 642 648	(1 350 085)	1 764 319	25 056 882
Performance Bonus	374 056	40 370	-	414 426
Accumulated Leave	29 452 533	3 470 208	-	32 922 741
	54 469 237	**2 160 493**	**1 764 319**	**58 394 049**

Non-current liabilities	17 175 080	25 056 882
Current liabilities	35 598 332	33 337 167
	52 773 412	**58 394 049**

Landfill site provision has been provided after a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorspruit, Marloth Park, Komatipoort, Kamaqhekeza and Steenbok landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are payable to eligible employees provided that the employee has met the targets as required in their performance contracts.

Employees are obliged to take at least 16 working days of his/her 24 annual leave days of which at least 10 working days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

18. Payables from exchange transactions

Trade payables	61 183 751	40 068 228
Debtors with credit balances	11 941 410	11 452 796
Salary suspense accounts - Third parties	20 981 781	8 044 495
Prepayments-prepaid electricity	528 068	509 631
Other Creditors	1 310 391	30 037
Staff bonus accrual	9 760 041	9 585 780
Surety	2 772 643	2 515 064
Retentions	52 665 938	44 043 047
Consumer deposits	4 779 216	4 484 376
	165 923 239	**120 733 454**

	2020 R	2019 R
19. Service charges		
Sale of electricity	109 121 156	107 090 400
Sale of water	25 932 550	23 874 067
Refuse removal	9 318 725	8 214 041
Sewerage and sanitation charges	4 951 860	5 389 553
	149 324 291	**144 568 061**
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	4 357 740	4 974 158
21. Revenue		
Service charges	149 324 291	144 568 061
Rental of facilities and equipment	4 357 740	4 974 158
Interest received (trading)	7 691 111	7 305 613
Agency services	1 362 415	13 068 155
Licences and permits	967 633	27 419
Recoveries	69 448	209 144
Operational revenue	3 483 890	5 453 988
Interest received (external)	24 782 281	27 648 707
Property rates	102 327 280	94 404 808
Government grants & subsidies	876 866 570	821 172 599
Public contributions and donations	7 500 000	3 491 815
Fines, Penalties and Forfeits	6 385 173	14 565 676
	1 185 117 832	**1 136 890 143**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	149 324 291	144 568 061
Rental of facilities and equipment	4 357 740	4 974 158
Interest received (trading)	7 691 111	7 305 613
Agency services	1 362 415	13 068 155
Licences and permits	967 633	27 419
Recoveries	69 448	209 144
Operational revenue	3 483 890	5 453 988
Interest received (external)	24 782 281	27 648 707
	192 038 809	**203 255 245**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	102 327 280	94 404 808
Transfer revenue		
Government grants & subsidies	876 866 570	821 172 599
Public contributions and donations	7 500 000	3 491 815
Fines, Penalties and Forfeits	6 385 173	14 565 676
	993 079 023	**933 634 898**
22. Agency services		
Vehicle Registration and Licenses	1 362 415	13 068 155

Notes to the Annual Financial Statements

	2020 R	2019 R
23. Licences and permits		
Trading	967 633	27 419
24. Fines, Penalties and Forfeits		
Illegal Connections Fines	-	36 167
Law Enforcement Fines	6 384 610	14 529 250
Overdue Books Fines	563	259
	6 385 173	**14 565 676**
25. Recoveries and other income		
Recoveries	69 448	209 144
Other income	3 483 890	5 453 988
	3 553 338	**5 663 132**
26. Interest received - external		
Interest revenue		
Bank	7 517 563	5 031 261
Investment	17 264 718	22 617 446
	24 782 281	**27 648 707**
27. Property rates		
Rates received		
Residential	34 470 914	32 705 904
Business	20 927 708	20 941 076
Government	42 421 657	34 490 628
Agricultural	3 550 695	5 367 058
Other	956 306	900 142
	102 327 280	**94 404 808**
Valuations		
Residential	5 976 564 100	5 964 973 100
Business	1 489 129 000	1 494 600 000
Government	2 713 963 999	1 976 546 000
Agriculture	3 357 654 001	3 839 004 001
Other	1 194 204 255	1 489 052 254
	14 731 515 355	**14 764 175 355**

	2020 R	2019 R

28. Government grants and subsidies

Operating grants		
Equitable share	569 784 057	516 214 894
Municipal Infrastructure Grant	225 063 001	235 033 353
Financial Management Grant	1 770 000	1 770 000
LG SETA Grant	1 843 556	264 145
Integrated National Electrification Grant	15 420 560	4 739 591
Water Service Infrastructure Grant	52 956 396	56 442 616
Expanded Public Works Programme	6 374 000	6 708 000
Municipal Disaster Relief Grant	655 000	-
Energy Efficiency and Demand Side Management Grant	3 000 000	-
	876 866 570	**821 172 599**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	627 647	28 997 692
Current-year receipts	225 063 000	220 261 000
Conditions met - transferred to revenue	(225 063 000)	(235 033 353)
Transfer out - Roll over not approved	(627 647)	(13 597 692)
	-	**627 647**

Expanded Public Works Programme

Current-year receipts	6 374 000	6 708 000
Conditions met - transferred to revenue	(6 374 000)	(6 708 000)
	-	**-**

Financial Management Grant

Current-year receipts	1 770 000	1 770 000
Conditions met - transferred to revenue	(1 770 000)	(1 770 000)
	-	**-**

LG SETA Grant

Current-year receipts	1 843 556	264 145
Conditions met - transferred to revenue	(1 843 556)	(264 145)
	-	**-**

	2020 R	2019 R

28. Government grants and subsidies (continued)

Integrated National Electrification Grant

Balance unspent at beginning of year	260 409	16 202
Current-year receipts	15 566 000	5 000 000
Conditions met - transferred to revenue	(15 420 560)	(4 739 591)
Transfer out - Roll over not approved	(260 409)	(16 202)
	145 440	**260 409**

Water Service Infrastrucure Grant

Balance unspent at beginning of year	-	215 616
Current-year receipts	53 000 000	56 227 000
Conditions met - transferred to revenue	(52 956 396)	(56 227 000)
Other	-	(215 616)
	43 604	**-**

Municipal Disaster Relief Grant

Current-year receipts	655 000	-
Conditions met - transferred to revenue	(655 000)	-
	-	**-**

Energy Efficiency and Demand Side Management Grant

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	**-**

	2020 R	2019 R

28. Government grants and subsidies (continued)

Government grants and subsidies per vote

2020	Executive & Council	Budget & Treasury Office	Corporate Services	Infrastructure Development	Total
Municipal Infrastructure Grant	-	-	-	225 063 000	225 063 000
Financial Management Grant	-	1 770 000	-	-	1 770 000
LG SETA Grant	-	-	1 843 556	-	1 843 556
Intergrated National Electrification Grant	-	-	-	15 420 560	15 420 560
Water Services Infrastructure Grant	-	-	-	53 000 000	53 000 000
Energy Efficienty and Demand Management Grant	-	-	-	3 000 000	3 000 000
Expanded Public Works Programme	6 374 000	-	-	-	6 374 000
Municipal Disaster Relief Grant	655 000	-	-	-	655 000
	7 029 000	**1 770 000**	**1 843 556**	**296 483 560**	**307 126 116**

2019	Executive & Council	Budget & Treasury Office	Corporate Services	Infrastructure Development	Total
Municipal Infrastructure Grant	-	-	-	234 349 882	234 349 882
Financial Management Grant	-	1 770 000	-	-	1 770 000
LG SETA Grant	-	-	264 145	-	264 145
Intergrated National Electrification Grant	-	-	-	4 739 591	4 739 591
Water Services Infrastructure Grant	-	-	-	56 442 616	56 442 616
Expanded Public Works Programme	6 708 000	-	-	-	6 708 000
	6 708 000	**1 770 000**	**264 145**	**295 532 089**	**304 274 234**

29. Public contributions and donations

Public contributions and donations	7 500 000	3 491 815

The municipality has received donation of asset (Portion 10 of farm Louieville 325 JU) to the value of R7 500 000 for the current year.

	2020 R	2019 R
30. Employee related costs		
Basic	223 882 868	217 656 077
Bonus	17 710 318	17 362 673
Medical aid	17 752 265	17 571 002
UIF	1 779 126	1 855 940
Other payroll levies	170 084	146 914
Pension fund contributions	42 180 352	41 954 111
Travel, motor car, accommodation and subsistence allowances	37 265 568	33 284 615
Overtime payments	51 648 095	46 959 386
Long-service awards	4 453 389	4 412 757
Housing benefits and other allowances	7 823 042	5 582 593
Temporary employees	3 749 340	2 156 816
Standby allowance	7 751 770	6 882 090
	416 166 217	**395 824 974**
Remuneration of municipal manager		
Annual Remuneration	1 189 879	1 031 374
Travel allowance	168 000	178 893
Performance Bonuses	105 662	-
Contributions to UIF, Medical and Pension Funds	258 773	246 047
	1 722 314	**1 456 314**
Remuneration of chief financial officer		
Annual Remuneration	918 622	845 862
Travel allowance	218 946	223 660
Performance Bonuses	59 810	-
Contributions to UIF, Medical and Pension Funds	134 932	127 220
	1 332 310	**1 196 742**
Remuneration of deputy chief financial officer		
Annual Remuneration	903 150	865 814
Travel and cellphone allowance	338 760	304 134
Contributions to UIF, Medical and Pension Funds	222 979	209 315
	1 464 889	**1 379 263**

Notes to the Annual Financial Statements

	2020 R	2019 R
30. Employee related costs (continued)		
Remuneration of director technical services		
Annual Remuneration	982 963	926 815
Travel allowance	331 243	306 496
Performance Bonuses	73 290	-
Contributions to UIF, Medical and Pension Funds	189 692	178 129
	1 577 188	**1 411 440**
Remuneration of deputy director technical services		
Annual Remuneration	889 257	924 461
Acting allowance	-	2 920
Travel and cellphone allowance	396 862	360 371
Contributions to UIF, Medical and Pension Funds	242 949	227 704
	1 529 068	**1 515 456**
Remuneration of director planning and development		
Annual Remuneration	918 178	869 274
Travel allowance	274 022	268 160
Performance Bonuses	54 102	-
Contributions to UIF, Medical and Pension Funds	158 245	154 836
	1 404 547	**1 292 270**
Remuneration of acting director planning and development		
Acting allowance	-	2 920
Remuneration of director community services		
Annual Remuneration	731 612	673 218
Travel allowance	329 809	260 529
Contributions to UIF, Medical and Pension Funds	140 551	121 408
	1 201 972	**1 055 155**
Remuneration of director corporate services		
Annual Remuneration	728 997	623 541
Travel allowance	241 264	173 187
Contributions to UIF, Medical and Pension Funds	143 592	135 609
	1 113 853	**932 337**
Remuneration of acting director corporate services		
Acting Allowance	-	6 692

Notes to the Annual Financial Statements

	2020 R	2019 R
31. Remuneration of councillors		
Executive Mayor	946 268	905 149
Chief Whip	864 866	832 426
Mayoral Committee Members	4 282 651	4 153 031
Speaker	756 314	788 462
Councillors	9 733 863	11 091 281
Councillors' pension contribution	1 954 667	2 011 338
Councillors' Allowances	14 797 541	13 862 215
	33 336 170	**33 643 902**
Executive Mayor		
Remuneration	550 433	533 982
Travel and other allowances	274 800	255 668
Contributions to UIF, Medical and Pension Fund	121 035	115 499
	946 268	**905 149**
Speaker		
Remuneration	433 282	427 019
Travel and other allowances	219 570	279 013
Contributions to UIF, Medical and Pension Fund	103 462	82 430
	756 314	**788 462**
Chief Whip		
Remuneration	439 311	401 807
Travel and other allowances	359 658	370 348
Contributions to UIF, Medical and Pension Fund	65 897	60 271
	864 866	**832 426**
Members of mayoral committee		
Remuneration	2 067 818	1 973 488
Travel and other allowances	1 763 333	1 789 748
Contributions to UIF, Medical and Pension Fund	451 500	389 795
	4 282 651	**4 153 031**
32. Depreciation and amortisation		
Property, plant and equipment	71 875 822	65 666 874
Investment property	90 316	98 993
Intangible assets	359 197	371 686
	72 325 335	**66 137 553**

	2020 R	2019 R
33. Impairment loss		
Impairments		
Property, plant and equipment The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.	19 257 469	8 428 813
Investment property The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and significant drop in market value. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.	154 306	299 147
	19 411 775	**8 727 960**

The main classes of assets affected by impairment losses are:

All classes of property, plant and equipment

Investment property - Land & Buildings

Fair value less cost to sell

Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.

34. Lease rentals on operating lease		
Premises		
Contractual amounts	3 016 454	4 200 637
Plant and equipment		
Contractual amounts	1 695 166	704 831
Lease rental on waste disposal site		
Contractual amounts	1 929 476	1 609 288
	6 641 096	**6 514 756**
35. Transfers and subsidies		
Other subsidies		
Other transfers	821 405	1 054 758
36. Finance costs		
Finance leases	466 853	592 645
Interest paid	428 411	230 982
	895 264	**823 627**
37. Debt impairment		
Contributions to debt impairment provision	5 307 905	16 205 251
Bad debts written off	23 740	4 432 284
	5 331 645	**20 637 535**

	2020 R	2019 R
38. Bulk purchases		
Electricity - Eskom	91 160 707	82 114 514
Water	1 098 593	1 204 021
	92 259 300	**83 318 535**
39. Contracted services		
Outsourced Services		
Alien Vegetation Control	205 650	109 500
Animal Care	56 918	89 869
Burial Services	78 400	16 000
Business and Advisory	1 122 861	3 756 575
Catering Services	2 374 033	2 591 051
Hygiene Services	330 112	136 063
Mini Dumping Sites	5 063 832	14 034 571
Refuse Removal	63 960	-
Security Services	34 252 460	30 410 005
Sewerage Services	337 461	50 700
Water Takers	11 012 666	-
Consultants and Professional Services		
Business and Advisory	25 708 257	20 489 079
Infrastructure and Planning	1 805 858	1 993 028
Laboratory Services	283 187	450 228
Legal Cost	12 925 718	16 219 221
Contractors		
Aerial Surveillance	599 565	-
Artists and Performers	272 750	289 641
Electrical	13 869 608	4 147 728
Employee Wellness	203 540	118 080
Graphic Designers	91 250	-
Interior Decorator	211 200	483 702
Maintenance of Buildings and Other Assets	2 901 001	3 306 138
Maintenance of Equipment	10 279 178	6 997 251
Medical Services	-	224 100
Plants, Flowers and Other Decorations	105 470	173 355
Tracing Agents and Debt Collectors	7 989 429	6 930 717
Traffic and Street Lights	341 755	277 445
Transportation	17 230 674	21 148 844
Sewerage Services	8 890 688	11 512 400
Stage and Sound Crew	294 143	332 101
	158 901 624	**146 287 392**

Notes to the Annual Financial Statements

	2020 R	2019 R
40. Operational expenditure		
Advertising	872 560	1 428 703
Auditors remuneration	4 989 320	4 260 840
Bank charges	1 129 565	1 057 564
Entertainment	49 661	145 252
Insurance	1 985 789	1 428 137
IT expenses	3 642 650	4 161 657
Levies	8 695 000	6 824 483
Postage and courier	152 475	187 153
Printing and stationery	417 101	808
Uniform and protective clothing	4 609 881	4 917 799
Subscriptions and membership fees	9 564	7 567
Telephone and fax	3 322 343	3 146 213
Travel and accomodation - local	6 335 805	5 556 332
Utilities	59 181 009	58 168 501
Inventory - consumables	50 901 661	31 050 904
Ward committees	3 927 886	2 177 000
Other expenses	7 535 084	2 118 424
	157 757 354	**126 637 337**
41. Auditors' remuneration		
Fees	4 989 320	4 260 840
42. Net cash flow from operating activities		
Surplus	218 588 600	240 871 305
Adjustments for:		
Depreciation and amortisation	72 325 335	66 137 553
Gain on disposal of assets	(171 963)	(1 889 080)
Impairment deficit	19 411 775	8 727 960
Debt impairment	5 331 645	20 637 535
Movements in operating lease assets and accruals	31 526	129 135
Movements in retirement benefit assets and liabilities	(4 926 846)	1 600 000
Movements in provisions	(5 620 637)	3 924 812
Other non-cash items (Transfers received - Assets)	(7 500 000)	(1 478 636)
Changes in working capital:		
Inventories	(1 547 828)	(2 356 506)
Receivables from exchange transactions	(13 024 469)	(1 802 310)
Consumer debtors	(13 167 592)	(25 559 835)
Other receivables from non-exchange transactions	(26 020 310)	(2 584 378)
Payables from exchange transactions	45 189 790	(18 901 755)
VAT	(1 541 117)	(8 800 331)
Unspent conditional grants and receipts	(699 012)	(28 341 454)
	286 658 897	**250 314 015**

	2020 R	2019 R

43. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	32 902 885	-	32 902 885
Other receivables from non-exchange transactions	88 713 280	-	88 713 280
Consumer debtors - exchange transactions	39 724 975	-	39 724 975
Cash and cash equivalents	-	218 307 222	218 307 222
	161 341 140	**218 307 222**	**379 648 362**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	165 923 239	165 923 239

2019

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	19 878 416	-	19 878 416
Other receivables from non-exchange transactions	62 692 970	-	62 692 970
Consumer debtors - exchange transactions	31 889 028	-	31 889 028
Cash and cash equivalents	-	205 822 074	205 822 074
	114 460 414	**205 822 074**	**320 282 488**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	120 825 612	120 825 612

	2020 R	2019 R
44. Commitments		
Authorised expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	18 313 622	36 148 352
• Infrastructure	271 353 322	245 176 848
• Other services	55 214 740	22 100 808
	344 881 684	**303 426 008**
Total capital commitments		
Already contracted for but not provided for	344 881 684	303 426 008
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	3 191 452	3 885 118
- in second to fifth year inclusive	986 743	4 178 196
	4 178 195	**8 063 314**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	2 383	128 223
- in second to fifth year inclusive	-	2 383
	2 383	**130 606**

Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.

	2020 R	2019 R

45. Contingencies

Contingent liabilities

A Lubbe - Claim of R109 626.64 against unfair dismissal

IMATU O.B.O L Lubisi - Claim of R120 270 for travel allowance

Tarfix - Claim for retention money amounting to R2 679 068.48

SM Shabangu - challenge against alleged unfair dismissal and anticipated costs claim of R1 020 000

Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1 264 063.40 for work done on the valuation roll for the municipality

Valor IT - Claim of R5 034 960 for breach of contract

Matsamo cultural park - Claim of R5 418 000 for suffered damages caused by fire due to alleged negligence following failure of the fire trucks to arrive on time

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6 000 000

Telkom SA Limited - Claim for damages for an amount of R59 346.17

SL Mkhatshwa - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

JS Nkosi - The case relates to the alleged unfair labour practice, however the potential amount of the liability is uncertain as it was not determined when the claim was instituted.

SANRAL SOC - SANRAL sought an interdict to prevent the Lebombo Border Dry Port from developing a property without first obtaining the zoning. The Municipality was cited as the as the authority responsible for issuing of the said zoning. The potential amount of the liability is uncertain as it was not determined when the claim was instituted.

BB Khoza - Claim for salary of R174 000 that was stopped after the employee was found to have misappropriated funds of the municipality.

SS Thabethe - Claim for R400 000 for alleged unlawful arrest and assault by municipal traffic officer

M Baloyi - Claim for R200 000 for alleged unlawful arrest and assault by municipal traffic officer

Gaenssler & 3 others - The relates the taking over of Marloth park holiday resort and the ownership of game animals.

Contingent assets

The municipality lodged a counter claim of R10 855 225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6 300 000 for breach of contract.

BB Khoza - Claim for recovery of misappropiation of funds by the employee to the value of R1 000 000.

Leopard creek share block Ltd - The case relates to a dispute of the value the property in the municipal valuation roll.

	2020 R	2019 R

46. Related parties

Relationships	
Post employment benefit plan for employees of municipality	Refer to note on employee benefit obligations
Members of key management	Refer to employee related costs note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors

47. Prior period errors

The municipality has assessed the classification of assets and the results of the assessment was to reclassify certain items of Property, plant and equipment, Investment Property and Intangible assets to appropriately present the nature of transactions in terms of GRAP 1 "Presentation of Financial Statement" and to align the classification of item segment in terms of mSCOA. Recognition of land that is owned and controlled by the municipality.

Correction of certain prior period transactions mapped to other creditors which were cancelled, unlinked or reversed and were not reconciled.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Accumulated surplus	-	(1 592 173)
PPE - Land	-	1 500 000
Other creditors	-	92 159
Infrastructure - Roads: Accumulated depcreciation	-	14
Infrastructure - Roads: carrying value	-	(56 289 522)
Infrastructure - Storm water: carrying value	-	56 289 522
Infrastructure - Water: carrying value	-	(8 089 043)
Infrastructure - Sewerage: carrying value	-	8 089 043
PPE - Land: carrying value	-	793 000
Investment property - Land: carrying value	-	(793 000)
Buildings: carrying value	-	15 327
Furniture and fixtures: carrying value	-	2 518 465
Plant and machinery: carrying value	-	1 995 710
IT Equipment: carrying value	-	(1 141 799)
Motor vehicles: carrying value	-	(3 387 960)
Computer software: carrying value	-	257

Notes

48. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	529 993	-	-	-
Trade and other payables	165 923 239	-	-	-
Operating lease liability	151 732	76 839	-	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	2 194 378	529 993	-	-
Trade and other payables	120 733 454	-	-	-
Operating lease liability	-	246 576	-	-

	2020 R	2019 R

48. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit Risk related to consumer debtors is managed in accordance with the Councils credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated impairment of consumer debtors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Cash and cash equivalents	218 737 222	205 822 074
Receivable from non-exchange transactions	88 713 280	62 692 970
Receivable from exchange transactions	32 902 885	19 878 416
Consumer debtors - exchange transactions	39 724 975	31 889 028

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

50. Events after the reporting date

The Unions representing municipal employees have been disputing the implementation of the wage curve agreement within the municipality, stating an unfair process followed on adoption of the collective agreement signed by SALGBC on the 21st of April 2010. Consequently, the council appointed an Ad-hoc committee to investigate the matter and based on the report produced, it was resolved that the affected employees be compensated through the placement to the correct task levels. The overall placement process was initiated in July 2020 and has resulted in an annual increase of salaries in the 2020/21 budget.

51. Unauthorised expenditure

Opening balance as previously reported	27 258 886	3 190 504
Opening balance as restated	**27 258 886**	**3 190 504**
Add: Expenditure identified - current	6 213 676	24 068 382
Closing balance	**33 472 562**	**27 258 886**

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget.The unauthorised expenditure of R33 472 562 is awaiting for authorisation.

52. Fruitless and wasteful expenditure

Opening balance as previously reported	1 092 956	861 974
Opening balance as restated	**1 092 956**	**861 974**
Add: Expenditure identified - current	428 411	230 982
Add: Expenditure identified - incurred in prior year but identified in current year	124 668	-
Closing balance	**1 646 035**	**1 092 956**

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments and salary paid to an employee not working for the municipality. Fruitless and wasteful expenditure of R1 646 035 is awaiting for authorisation. The fruitless and wasteful expenditure relating to interest is irrecoverable. The fruitless and wasteful expenditure relating to salary paid is still under investigation.

	2020 R	2019 R

53. Irregular expenditure

Irregular expenditure - Opening balance	648 059 024	497 668 201
Opening balance as restated	**648 059 024**	**497 668 201**
Add: Irregular Expenditure - current	5 061 140	81 289 028
Add: Irregular Expenditure - current year but identified in prior period	101 649 731	23 275 840
Add: Irregular expenditure - incurred in prior year but identified in current year	-	45 825 955
Closing balance	**754 769 895**	**648 059 024**

Amounts recommended to be written-off

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R497 668 201 has been recommended by council to be written off as irrecoverable after investigations and is awaiting to be submitted to National Treasury to be condoned. The prior year irregular expenditure which has not been recommended by council is still under investigation. The municipality will also investigate irregular expenditure incurred in the current year. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	276 839	229 625
Amount paid - current year	(258 423)	(229 625)
	18 416	**-**

Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

Audit fees

Current year subscription / fee	4 989 320	4 260 840
Amount paid - current year	(4 989 320)	(4 260 840)
	-	**-**

PAYE

Current year subscription / fee	62 314 754	53 716 584
Amount paid - current year	(56 630 067)	(53 716 584)
	5 684 687	**-**

UIF

Current year subscription / fee	3 986 289	3 870 358
Amount paid - current year	(3 666 851)	(3 870 358)
	319 438	**-**

SDL

Current year subscription / fee	2 848 376	3 088 292
Amount paid - current year	(2 848 376)	(3 088 292)
	-	**-**

	2020 R	2019 R

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	91 145 663	90 284 811
Amount paid - current year	(83 669 730)	(90 284 811)
	7 475 933	**-**

VAT

VAT receivable	57 459 165	55 918 048

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 90 days at 30 June 2020

Deviations

Deviations - opening balance	339 274	2 510 288
Deviations - current year	30 134 403	2 223 035
Deviations - noted by council	(2 781 472)	(4 394 049)
	27 692 205	**339 274**

Awards to close family members of persons in the service of the state

Current year expenditure	11 500	395 999

Procurement services were made to Agreemeth Business Enterprise and My Angel Country Lodge, whose directors are close family members of persons in service of the state.

55. Distribution losses

Water	Year	Kilo litres pumped	Kilo litres sold	Loss in kilo litres	Loss in percentage
	30 June 2020	31 457 115	31 311 527	145 588	0.5%
	30 June 2019	31 404 659	31 094 058	310 602	1%

Electricity	Year	Units purchased	Units sold	Loss in units	Loss in percentage
	30 June 2020	84 171 660	69 471 251	14 700 409	17%
	30 June 2019	87 986 876	75 629 598	12 357 278	14%

Water distribution loss calculated value amounts to R 173 363 (2019: R 250 830)

Electricity distribution loss calculated value amounts to R 13 816 245 (2019: R9 946 018)

	2020 R	2019 R

56. Budget differences

Material differences between budget and actual amounts

Management has decided to provide reasons for the variances that are more than 10%, however there some exceptional cases where management has decided to provide reasons for the variances that are less than 10%.

Revenue and expenditure

Service charges - The insignificant variation of 4% from the targeted revenue is as a result of reduced sales of electricity units during the lockdown period.

Agency services - The agency agreement was terminated and the licencing department function was transferred back to Department of Community Safety, Security and Liason.

Licenses and permits - This was due to the fact that the issuing of business permits was targeted for implementation as part of Revenue Enhancement during the financial year under review, however the projected income could not be materialized.

Recoveries - This class of revenue is contingent in nature and during the budget adjustment the actual income was not yet received.

Other income - More revenue generated from the sale of tender documents, town planning fees such as building plans, publication print and other sundry revenue items.

Interest received: external - The variance is due to that the interest rate declined and also that the municipality was unable to invest its access reserves during the lockdown period.

Fines, Penalties and Forfeits - Variance is due to that only section 56 hand written fines were issued until the country went to lockdown and there were restrictions of movement due to COVID19. No section 341 speed camera fines were issued during the year.

Employee costs - Variance is due to the annual salary increases effected from the 1st of July 2019 and Overtime worked by employees as a result of frequent breakdowns and COVID19 cost related to emergency work. The variance is further caused by reimbusive travel allowance budget amount allocated under operatonal costs and actual amount allocated under employee costs in the financial statements.

Councilors' remuneration - Implementation of the Government Gazette relating to the Councilors upper limits as determined by the Minister of COGTA issued in April 2020 and was effective from 01 July 2019. Travel and subsistence claims of councilors increased due to Joint Operations Committees established to manage the spread of COVID19.

Finance costs - the interest charged assumptions for late payment of invoices was not factored into the budget amounts as well as the interest portion of the landfill sites.

Lease rentals on operating lease - Savings resulted from the less usage of machines due to lockdown restrictions.

Public contributions and donations - the variance is due to that the municipality has received a donation of an asset in the current year and this was not budgeted.

General expenses - the significant variance is due to the implementation of cost containment measures on general operational costs and suspension of other activities such as accommodation, catering etc. due to lockdown restrictions and also that reimbusive travel allowance budget amount is allocated under operatonal costs and actual amount is allocated under employee costs in the financial statements.

Assets and liabilities

Inventories - the variance is as a result of the high demand on protective clothing and water treatments products to ensure that the community receive potable water in the fight against the pandemic.

	2020 R	2019 R

56. Budget differences (continued)

Cash and cash equivalent - The municipality had more cash on hand at year end than anticipated due to implementation of cost containment measures on operational expenditure items such as inventory - consumables, accomodation, catering, etc. Interest received from investments and additional cash received from issuing business licenses and permits increased the cash on hand.

Receivable from exchange transactions - Current: The variance is due to employees who still owe the municipality that were accounted as debtors due to salaries payment error which occurred on 14 October 2019.

Receivable from exchange transactions - Non-current: The variance is due to deposit paid for new electricity connections than anticipated and also the interest earned on the eskom deposit accounts.

Intangible assets - Acquisitions were less than what was budgeted for and the variance also results from the different VAT treatments when budgeting and on actual spending.

Operating lease assets - The municipality did not enter into new operating lease as was anticipated due to lockdown restrictions hence the actual is much lesser than the budgeted amount and some lease agreements expired during the year.

Provision - This is an estimated figure and the budget is based on the prior year actuals which is subject to extensive assumptions depending on the management expert used to determine the actual value. The variance is also caused by the change in the use of landfill sites and CPI rate.

Operating lease Liabilities - Variance is due under budgeting as some agreement expired and the agreement were renewed. Lease agreement for rental Licencing Department was ceded to Department of Community Safety, Security and Liason.

Finance lease obligation - The variance is due to that the lease agreement for rental of printers with Nashua expired and the lease liability has been repaid.

Payables from exchange transactions - the budgeted was based on previous trends and the variance is attributable to the positive cash flow which allows the settlement of creditors within 30 days of receipt of an invoice.

Unspent conditional grant - This line item does not require to be budgeted for hence there is 100% variance.

Employee benefit obligation - The variance is due to under budgeting.

Nkomazi Local Municipality
Nkomazi Local Municipality
Appendix B
June 2020

Analysis of property, plant and equipment as at 30 June 2020

	Cost/Revaluation						Accumulated depreciation						
	Opening Balance	Opening balance adjustment	Additions	Transfers-WIP completed	Disposals	Closing Balance	Opening Balance	Opening balance adjustment	Depreciation	Disposals	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings													
Land	164 965 741	2 305 647	7 500 000	-	(35 667 112)	**139 104 276**	(32 242 799)	(12 647)	-	7 481 127	-	**(24 774 319)**	114 329 957
Work in progress - buildings	47 823 711	-	25 068 322	(22 432 474)	-	**50 459 559**	-	-	-	-	-	**-**	50 459 559
Buildings	216 084 552	180 000	-	22 432 474	-	**238 697 026**	(63 129 045)	(164 673)	(7 605 152)	-	(1 670 101)	**(72 568 971)**	166 128 055
	428 874 004	**2 485 647**	**32 568 322**	**-**	**(35 667 112)**	**428 260 861**	**(95 371 844)**	**(177 320)**	**(7 605 152)**	**7 481 127**	**(1 670 101)**	**(97 343 290)**	**330 917 571**
Infrastructure													
Roads	435 989 076	(60 943 734)	17 893 268	47 834 303	-	**440 772 913**	(105 447 373)	4 654 212	(11 693 089)	-	(288 511)	**(112 774 761)**	327 998 152
Storm water	-	60 943 734	-	-	-	**60 943 734**	-	(4 654 212)	(1 200 083)	-	(1 040 116)	**(6 894 411)**	54 049 323
Sewerage	10 233 641	8 532 438	-	-	-	**18 766 079**	(1 480 109)	(443 395)	(332 826)	-	(990 692)	**(3 247 022)**	15 519 057
Electricity	110 639 283	-	3 702 013	3 911 975	-	**118 253 271**	(24 959 995)	-	(3 861 949)	-	(1 166 028)	**(29 987 972)**	88 265 299
Water	1 148 375 269	(8 532 438)	9 768 272	160 089 181	-	**1 309 700 284**	(277 720 185)	443 395	(38 825 848)	-	(9 019 013)	**(325 121 651)**	984 578 633
Solid waste	31 771 213	-	319 480	-	-	**32 090 693**	(22 521 123)	-	(177 793)	-	(374 391)	**(23 073 307)**	9 017 386
Work in progress - Infrastructure	397 168 335	-	198 856 175	(211 835 459)	-	**384 189 051**	-	-	-	-	-	**-**	384 189 051
	2 134 176 817	**-**	**230 539 208**	**-**	**-**	**2 364 716 025**	**(432 128 785)**	**-**	**(56 091 588)**	**-**	**(12 878 751)**	**(501 099 124)**	**1 863 616 901**

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation — Accumulated depreciation

	Opening Balance Rand	Opening balance adjustment Rand	Additions Rand	Transfers-WIP completed Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Opening balance adjustment Rand	Depreciation Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets													
Historical monuments	1 621 944	-	-	-	-	**1 621 944**	-	-	-	-	-	**-**	1 621 944
	1 621 944	**-**	**-**	**-**	**-**	**1 621 944**	**-**	**-**	**-**	**-**	**-**	**-**	**1 621 944**
Other assets													
Furniture and fixtures	11 037 474	5 422 780	119 086	-	(700 018)	**15 879 322**	(7 802 768)	(2 904 315)	(1 559 521)	669 573	(138 302)	**(11 735 333)**	4 143 989
Plant and equipment	35 157 257	(4 749 380)	7 150 670	-	(3 796 729)	**33 761 818**	(22 394 674)	6 745 090	(2 306 053)	2 853 897	(567 362)	**(15 669 102)**	18 092 716
IT equipment	16 451 502	(2 676 589)	216 310	-	(3 359 460)	**10 631 763**	(9 927 013)	1 534 789	(1 594 481)	2 957 260	(458 554)	**(7 487 999)**	3 143 764
Motor vehicles	54 765 076	1 794 574	9 081 164	-	(4 153 395)	**61 487 419**	(28 025 295)	(5 182 532)	(2 719 027)	3 560 281	(3 544 399)	**(35 910 972)**	25 576 447
Game Animals	5 601 288	-	1 667 085	-	(210 800)	**7 057 573**	-	-	-	-	-	**-**	7 057 573
	123 012 597	**(208 615)**	**18 234 315**	**-**	**(12 220 402)**	**128 817 895**	**(68 149 750)**	**193 032**	**(8 179 082)**	**10 041 011**	**(4 708 617)**	**(70 803 406)**	**58 014 489**
Total property plant and equipment	**2 687 685 362**	**2 277 032**	**281 341 845**	**-**	**(47 887 514)**	**2 923 416 725**	**(595 650 379)**	**15 712**	**(71 875 822)**	**17 522 138**	**(19 257 469)**	**(669 245 820)**	**2 254 170 905**
Intangible assets													
Computers - software & programming	2 368 536	28 615	69 056	-	(284 286)	**2 181 921**	(1 334 530)	(28 358)	(359 197)	273 141	-	**(1 448 944)**	732 977
	2 368 536	**28 615**	**69 056**	**-**	**(284 286)**	**2 181 921**	**(1 334 530)**	**(28 358)**	**(359 197)**	**273 141**	**-**	**(1 448 944)**	**732 977**
Investment properties													
Investment property	19 846 001	(805 647)	-	-	(3 495 500)	**15 544 854**	(4 962 813)	12 647	(90 316)	792 000	(154 306)	**(4 402 788)**	11 142 066
	19 846 001	**(805 647)**	**-**	**-**	**(3 495 500)**	**15 544 854**	**(4 962 813)**	**12 647**	**(90 316)**	**792 000**	**(154 306)**	**(4 402 788)**	**11 142 066**
Total													
Land and buildings	428 874 004	2 485 647	32 568 322	-	(35 667 112)	**428 260 861**	(95 371 844)	(177 320)	(7 605 152)	7 481 127	(1 670 101)	**(97 343 290)**	330 917 571
Infrastructure	2 134 176 817	-	230 539 208	-	-	**2 364 716 025**	(432 128 785)	-	(56 091 588)	-	(12 878 751)	**(501 099 124)**	1 863 616 901
Heritage assets	1 621 944	-	-	-	-	**1 621 944**	-	-	-	-	-	**-**	1 621 944
Other assets	123 012 597	(208 615)	18 234 315	-	(12 220 402)	**128 817 895**	(68 149 750)	193 032	(8 179 082)	10 041 011	(4 708 617)	**(70 803 406)**	58 014 489
Intangible assets	2 368 536	28 615	69 056	-	(284 286)	**2 181 921**	(1 334 530)	(28 358)	(359 197)	273 141	-	**(1 448 944)**	732 977
Investment properties	19 846 001	(805 647)	-	-	(3 495 500)	**15 544 854**	(4 962 813)	12 647	(90 316)	792 000	(154 306)	**(4 402 788)**	11 142 066
	2 709 899 899	**1 500 000**	**281 410 901**	**-**	**(51 667 300)**	**2 941 143 500**	**(601 947 722)**	**1**	**(72 325 335)**	**18 587 279**	**(19 411 775)**	**(675 097 552)**	**2 266 045 948**

Nkomazi Local Municipality
Appendix D
June 2020

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
6 708 000	77 067 047	(70 359 047)	Executive and council	7 029 000	109 441 310	(102 412 310)
332 446 896	178 301 536	154 145 360	Budget and treasury	360 559 774	168 552 019	192 007 755
693 974	23 892 825	(23 198 851)	Planning and development	1 581 733	28 097 014	(26 515 281)
7 985 887	72 560 694	(64 574 807)	Corporate services	14 175 418	71 345 294	(57 169 876)
106 759 208	183 393 978	(76 634 770)	Community and social services	93 986 874	176 855 730	(82 868 856)
686 134 258	364 640 838	321 493 420	Infrastructure and development	716 449 127	420 901 959	295 547 168
1 140 728 223	**899 856 918**	**240 871 305**		**1 193 781 926**	**975 193 326**	**218 588 600**

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2019 Act. Bal. Rand	Current year 2019 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	102 327 280	100 519 114	1 808 166	1.8	
Service charges	149 324 291	152 483 111	(3 158 820)	(2.1)	
Rental of facilities and equipment	4 357 740	4 159 880	197 860	4.8	
Interest received (trading)	7 691 111	7 773 374	(82 263)	(1.1)	
Agency services	1 362 415	1 701 872	(339 457)	(19.9)	
Licences and permits	967 633	1 166 912	(199 279)	(17.1)	
Public contributions and donations	7 500 000	-	7 500 000	-	
Fines, penalties and forfeits	6 385 173	15 691 969	(9 306 796)	(59.3)	
Government grants and subsidies	876 866 570	875 940 079	926 491	0.1	
Recoveries	69 448	67 284	2 164	3.2	
Other income	3 483 890	3 296 156	187 734	5.7	
Inventories write-downs	177 285	-	177 285	-	
Interest received - external	24 782 281	31 776 225	(6 993 944)	(22.0)	
Gain on disposal of assets	171 963	-	171 963	-	
Actuarial gains	8 314 846	-	8 314 846	-	
	1 193 781 926	1 194 575 976	(794 050)	(0.1)	
Expenses					
Personnel	(427 512 358)	(385 325 746)	(42 186 612)	10.9	
Remuneration of councillors	(33 336 170)	(27 746 342)	(5 589 828)	20.1	
Depreciation and amortisation	(72 325 335)	(72 805 942)	480 607	(0.7)	
Impairment loss	(19 411 775)	-	(19 411 775)	-	
Finance costs	(895 265)	(504 229)	(391 036)	77.6	
Debt Impairment	(5 331 645)	(22 199 697)	16 868 052	(76.0)	
Lease rentals on operating lease	(6 641 096)	(9 053 151)	2 412 055	(26.6)	
Bulk purchases	(92 259 299)	(86 922 823)	(5 336 476)	6.1	
Contracted Services	(158 901 624)	(158 596 523)	(305 101)	0.2	
Transfers and Subsidies	(821 405)	(1 134 769)	313 364	(27.6)	
General Expenses	(157 757 354)	(233 875 774)	76 118 420	(32.5)	
	(975 193 326)	(998 164 996)	22 971 670	(2.3)	
Other revenue and costs	-	-	-	-	
Net surplus/ (deficit) for the year	218 588 600	196 410 980	22 177 620	11.3	

Nkomazi Local Municipality
Appendix E(2)
June 2020

Actual versus Budget (Acquisition of Property, Plant and Equipment) as at 30 June 2020

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality						
Executive & Council	38 155	666 000	374 838	336 683	**90**	
Budget and treasury	5 022 462	9 970 000	5 770 000	747 538	**13**	
Corporate services	131 738	4 542 000	4 228 566	4 096 828	**97**	
Planning and development	-	2 460 000	2 160 000	2 160 000	**100**	
Community & Social services	22 477 024	42 284 522	35 002 702	12 525 678	**36**	
Infrastructure and development	245 009 222	261 687 084	281 951 786	36 942 564	**13**	
	272 678 601	**321 609 606**	**329 487 892**	**56 809 291**	**17**	

Nkomazi Local Municipality
Appendix F
Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act
June 2020

Name of Grants	Quarterly Receipts			
	Sep	Dec	Mar	Jun
Equitable Share	237 410 000	189 040 000	142 446 000	-
Municipal Infrastructure Grant (MIG)	90 025 000	73 500 000	61 538 000	-
Water Services Infrastructure Grant (WSIG)	9 000 000	22 500 000	21 500 000	-
Integrated National Electrification Programme Grant (INEP)	10 000 000	-	5 566 000	-
Finance Management Grant (FMG)	1 770 000	-	-	-
Expanded Public Works Programme Grant	1 594 000	2 869 000	1 911 000	-
Energy Efficienty and Demand Management Grant	500 000	500 000	2 000 000	-
Municipal Disaster Relief Grant	-	-	-	655 000
	350 299 000	288 409 000	234 961 000	655 000

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Nkomazi Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2020

	2019/20													2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Governance and administration	**384 816 995**	**(11 575 286)**	**373 241 709**	**-**		**373 241 709**	**375 251 226**		**2 009 517**	**101 %**	**98 %**				**345 191 783**
Executive and council	6 374 000	655 000	7 029 000	-		7 029 000	7 029 000		-	100 %	110 %				6 708 000
Finance and administration	378 442 995	(12 230 286)	366 212 709	-		366 212 709	368 222 226		2 009 517	101 %	97 %				338 483 783
Community and public safety	**30 803 700**	**(14 916 665)**	**15 887 035**	**-**		**15 887 035**	**6 558 283**		**(9 328 752)**	**41 %**	**21 %**				**14 632 502**
Community and social services	88 892	(9 780)	79 112	-		79 112	72 082		(7 030)	91 %	81 %				91 199
Sport and recreation	116 121	**(14 438)**	101 683	-		101 683	88 570		(13 113)	87 %	76 %				12 053
Public safety	30 598 687	(14 892 447)	15 706 240	-		15 706 240	6 397 631		(9 308 609)	41 %	21 %				14 529 250
Economic and environmental services	**20 697 757**	**(7 562 635)**	**13 135 122**	**-**		**13 135 122**	**12 296 321**		**(838 801)**	**94 %**	**59 %**				**24 565 266**
Planning and development	10 078 759	255 640	10 334 399	-		10 334 399	8 814 822		(1 519 577)	85 %	87 %				9 504 414
Road transport	9 439 835	(7 737 963)	1 701 872	-		1 701 872	1 362 415		(339 457)	80 %	14 %				13 068 155
Environmental protection	1 179 163	(80 312)	1 098 851	-		1 098 851	2 119 084		1 020 233	193 %	180 %				1 992 697
Trading services	**828 525 722**	**(36 213 612)**	**792 312 110**	**-**		**792 312 110**	**793 163 125**		**851 015**	**100 %**	**96 %**				**754 389 673**
Energy sources	216 722 848	(9 268 996)	207 453 852	-		207 453 852	203 561 620		(3 892 232)	98 %	94 %				180 213 037
Water management	402 110 305	(5 054 984)	397 055 321	-		397 055 321	402 031 899		4 976 578	101 %	100 %				400 763 952
Waste water management	125 724 758	(21 463 694)	104 261 064	-		104 261 064	103 622 514		(638 550)	99 %	82 %				96 346 830
Waste management	83 967 811	(425 938)	83 541 873	-		83 541 873	83 947 092		405 219	100 %	100 %				77 065 854
Total Revenue - Functional	**1 264 844 174**	**(70 268 198)**	**1 194 575 976**	**-**		**1 194 575 976**	**1 187 268 955**		**(7 307 021)**	**99 %**	**94 %**				**1 138 779 224**

Nkomazi Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2020

	2019/20													2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	**347 148 030**	**62 926 558**	**410 074 588**	**-**	**-**	**410 074 588**	**342 825 658**	**-**	**(67 248 930)**	**84 %**	**99 %**	**-**	**-**	**-**	**325 980 277**
Executive and council	74 680 264	48 776 560	123 456 824	-	-	123 456 824	100 363 918	-	(23 092 906)	81 %	134 %	-	-	-	68 598 916
Finance and administration	268 967 346	13 832 578	282 799 924	-	-	282 799 924	239 055 256	-	(43 744 668)	85 %	89 %	-	-	-	254 212 266
Internal audit	3 500 420	317 420	3 817 840	-	-	3 817 840	3 406 484	-	(411 356)	89 %	97 %	-	-	-	3 169 095
Community and public safety	**94 377 473**	**2 337 095**	**96 714 568**	**-**	**-**	**96 714 568**	**102 395 116**	**-**	**5 680 548**	**106 %**	**108 %**	**-**	**-**	**-**	**92 077 992**
Community and social services	51 355 916	3 831 513	55 187 429	-	-	55 187 429	57 308 110	-	2 120 681	104 %	112 %	-	-	-	50 623 073
Sport and recreation	5 642 217	(159 135)	5 483 082	-	-	5 483 082	5 213 994	-	(269 088)	95 %	92 %	-	-	-	5 111 809
Public safety	25 898 191	(1 492 981)	24 405 210	-	-	24 405 210	27 759 532	-	3 354 322	114 %	107 %	-	-	-	25 581 077
Health	11 481 149	157 698	11 638 847	-	-	11 638 847	12 113 480	-	474 633	104 %	106 %	-	-	-	10 762 033
Economic and environmental services	**108 750 799**	**(15 118 980)**	**93 631 819**	**-**	**-**	**93 631 819**	**85 733 408**	**-**	**(7 898 411)**	**92 %**	**79 %**	**-**	**-**	**-**	**90 102 669**
Planning and development	39 718 724	(331 041)	39 387 683	-	-	39 387 683	31 318 056	-	(8 069 627)	80 %	79 %	-	-	-	27 263 020
Road transport	56 320 155	(14 458 756)	41 861 399	-	-	41 861 399	43 623 622	-	1 762 223	104 %	77 %	-	-	-	51 613 121
Environmental protection	12 711 920	(329 183)	12 382 737	-	-	12 382 737	10 791 730	-	(1 591 007)	87 %	85 %	-	-	-	11 226 528
Trading services	**356 999 358**	**34 805 278**	**391 804 636**	**-**	**-**	**391 804 636**	**433 489 046**	**-**	**41 684 410**	**111 %**	**121 %**	**-**	**-**	**-**	**386 260 157**
Energy sources	157 162 125	24 274 400	181 436 525	-	-	181 436 525	189 765 148	-	8 328 623	105 %	121 %	-	-	-	158 416 806
Water management	133 747 021	4 383 026	138 130 047	-	-	138 130 047	167 753 141	-	29 623 094	121 %	125 %	-	-	-	146 351 748
Waste water management	18 696 992	(3 023 803)	15 673 189	-	-	15 673 189	15 714 391	-	41 202	100 %	84 %	-	-	-	18 070 572
Waste management	47 393 220	9 171 655	56 564 875	-	-	56 564 875	60 256 366	-	3 691 491	107 %	127 %	-	-	-	63 421 031
Other	**5 804 196**	**135 189**	**5 939 385**	**-**	**-**	**5 939 385**	**4 237 121**	**-**	**(1 702 264)**	**71 %**	**73 %**	**-**	**-**	**-**	**-**
Other	5 804 196	135 189	5 939 385	-	-	5 939 385	4 237 121	-	(1 702 264)	71 %	73 %	-	-	-	3 486 791
Total Expenditure - Functional	**913 079 856**	**85 085 140**	**998 164 996**	**-**	**-**	**998 164 996**	**968 680 349**	**-**	**(29 484 647)**	**97 %**	**106 %**	**-**	**-**	**-**	**897 907 886**
Surplus/(Deficit) for the year	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 606**		**22 177 626**	**111 %**	**62 %**				**240 871 338**

Nkomazi Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2020

	2019/20													2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Executive & Council	6 374 000	655 000	7 029 000	-		7 029 000	7 029 000		-	100 %	110 %				6 708 000
Vote 2 - Budget & Treasury Office	369 489 681	(11 091 100)	358 398 581	-		358 398 581	361 951 482		3 552 901	101 %	98 %				332 446 896
Vote 3 - Corporate Services	8 953 314	(1 139 186)	7 814 128	-		7 814 128	6 270 744		(1 543 384)	80 %	70 %				6 036 887
Vote 4 - Planning & Development	1 076 239	705 766	1 782 005	-		1 782 005	1 581 733		(200 272)	89 %	147 %				693 974
Vote 5 - Community & Social Services	125 375 780	(23 146 149)	102 229 631	-		102 229 631	93 986 874		(8 242 757)	92 %	75 %				106 759 208
Vote 6 - Infrastructure & Development	753 575 160	(36 252 529)	717 322 631	-		717 322 631	716 449 122		(873 509)	100 %	95 %				686 134 259
Total Revenue by Vote	**1 264 844 174**	**(70 268 198)**	**1 194 575 976**	**-**		**1 194 575 976**	**1 187 268 955**		**(7 307 021)**	**99 %**	**94 %**				**1 138 779 224**
Expenditure by Vote to be appropriated															
Vote 1 - Executive & Council	85 111 562	48 805 164	133 916 726	-	-	133 916 726	109 441 310	-	(24 475 416)	82 %	129 %	-	-	-	77 067 047
Vote 2 - Budget & Treasury Office	210 060 038	3 363 390	213 423 428	-	-	213 423 428	169 943 727	-	(43 479 701)	80 %	81 %	-	-	-	178 301 536
Vote 3 - Corporate Services	51 976 430	10 758 004	62 734 434	-	-	62 734 434	63 440 621	-	706 187	101 %	122 %	-	-	-	70 611 694
Vote 4 - Planning & Development	37 059 885	(251 841)	36 808 044	-	-	36 808 044	28 097 014	-	(8 711 030)	76 %	76 %	-	-	-	23 892 825
Vote 5 - Community & Social Services	171 989 550	(2 966 924)	169 022 626	-	-	169 022 626	176 855 730	-	7 833 104	105 %	103 %	-	-	-	183 393 978
Vote 6 - Infrastructure & Development	356 882 391	25 377 347	382 259 738	-	-	382 259 738	420 901 946	-	38 642 208	110 %	118 %	-	-	-	364 640 807
Total Expenditure by Vote	**913 079 856**	**85 085 140**	**998 164 996**	**-**	**-**	**998 164 996**	**968 680 348**	**-**	**(29 484 648)**	**97 %**	**106 %**	**-**	**-**	**-**	**897 907 887**
Surplus/(Deficit) for the year	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 607**		**22 177 627**	**111 %**	**62 %**				**240 871 337**

Nkomazi Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

	2019/20														2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	118 388 871	(17 869 757)	100 519 114	-		100 519 114	102 327 280		1 808 166	102 %	86 %				94 404 808
Service charges - electricity revenue	125 732 839	(12 322 589)	113 410 250	-		113 410 250	109 121 156		(4 289 094)	96 %	87 %				107 090 400
Service charges - water revenue	26 026 975	(717 181)	25 309 794	-		25 309 794	25 932 550		622 756	102 %	100 %				23 874 067
Service charges - sanitation revenue	6 364 413	(1 400 351)	4 964 062	-		4 964 062	4 951 860		(12 202)	100 %	78 %				5 389 553
Service charges - refuse revenue	9 240 645	(441 640)	8 799 005	-		8 799 005	9 318 725		519 720	106 %	101 %				8 214 041
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	5 063 452	(903 572)	4 159 880	-		4 159 880	4 357 740		197 860	105 %	86 %				4 974 158
Interest earned - external investments	24 590 363	7 253 146	31 843 509	-		31 843 509	24 782 281		(7 061 228)	78 %	101 %				27 648 707
Interest earned - outstanding debtors	8 011 699	(238 325)	7 773 374	-		7 773 374	7 691 111		(82 263)	99 %	96 %				7 305 613
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	30 591 786	(14 899 817)	15 691 969	-		15 691 969	6 385 173		(9 306 796)	41 %	21 %				14 565 676
Licences and permits	37 627	1 129 285	1 166 912	-		1 166 912	967 633		(199 279)	83 %	2 572 %				27 419
Agency services	9 425 106	(7 723 234)	1 701 872	-		1 701 872	1 362 415		(339 457)	80 %	14 %				13 068 155
Transfers recognised - operational	620 517 520	(16 559 829)	603 957 691	-		603 957 691	607 906 568		3 948 877	101 %	98 %				547 259 294
Other revenue	4 226 398	(930 242)	3 296 156	-		3 296 156	3 553 337		257 181	108 %	84 %				5 663 132
Gains on disposal of PPE	-	-	-	-		-	2 151 126		2 151 126	DIV/0 %	DIV/0 %				1 889 080
Public contributions and donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**988 217 694**	**(65 624 106)**	**922 593 588**	**-**		**922 593 588**	**910 808 955**		**(11 784 633)**	**99 %**	**92 %**				**861 374 103**

Nkomazi Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

	2019/20														2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	391 900 624	(6 574 878)	385 325 746	-	-	385 325 746	395 896 673	-	10 570 927	103 %	101 %	-	-	-	386 116 462
Remuneration of councillors	25 167 668	2 578 674	27 746 342	-	-	27 746 342	24 837 960	-	(2 908 382)	90 %	99 %	-	-	-	31 947 159
Debt impairment	22 199 697	-	22 199 697		-	22 199 697	5 331 645	-	(16 868 052)	24 %	24 %	-	-	-	24 031 209
Depreciation & asset impairment	61 197 763	11 608 179	72 805 942		-	72 805 942	91 737 108	-	18 931 166	126 %	150 %	-	-	-	71 471 838
Finance charges	692 458	(188 229)	504 229	-	-	504 229	895 265	-	391 036	178 %	129 %	-	-	-	823 602
Bulk purchases	75 032 993	11 889 830	86 922 823	-	-	86 922 823	92 259 299	-	5 336 476	106 %	123 %	-	-	-	83 318 535
Other materials	42 194 219	10 668 063	52 862 282	-	-	52 862 282	50 898 944	-	(1 963 338)	96 %	121 %	-	-	-	31 046 165
Contracted services	118 251 723	29 261 842	147 513 565	-	-	147 513 565	128 140 840	-	(19 372 725)	87 %	108 %	-	-	-	107 802 728
Transfers and subsidies	29 075 690	(2 350 624)	26 725 066	-	-	26 725 066	23 420 201	-	(3 304 865)	88 %	81 %	-	-	-	16 688 539
Other expenditure	147 367 021	28 192 283	175 559 304	-	-	175 559 304	153 460 534	-	(22 098 770)	87 %	104 %	-	-	-	144 661 649
Loss on disposal of PPE	-	-	-	-	-	-	1 801 880	-	1 801 880	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**913 079 856**	**85 085 140**	**998 164 996**	**-**	**-**	**998 164 996**	**968 680 349**	**-**	**(29 484 647)**	**97 %**	**106 %**	**-**	**-**	**-**	**897 907 886**
Surplus/(Deficit)	**75 137 838**	**(150 709 246)**	**(75 571 408)**	**-**		**(75 571 408)**	**(57 871 394)**		**17 700 014**	**77 %**	**(77)%**				**(36 533 783)**
Transfers and subsidies - capital	276 626 480	(4 644 092)	271 982 388	-		271 982 388	276 460 000		4 477 612	102 %	100 %				277 405 120
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 606**		**22 177 626**	**111 %**	**62 %**				**240 871 337**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 606**		**22 177 626**	**111 %**	**62 %**				**240 871 337**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 606**		**22 177 626**	**111 %**	**62 %**				**240 871 337**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**351 764 318**	**(155 353 338)**	**196 410 980**	**-**		**196 410 980**	**218 588 606**		**22 177 626**	**111 %**	**62 %**				**240 871 337**

Nkomazi Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2020

	2019/20														2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 5 - Community & Social Services	27 203 522	(6 500 000)	20 703 522	-	-	20 703 522	20 143 488	-	(560 034)	97 %	74 %	-	-	-	9 954 960
Vote 6 - Infrastructure & Development	94 179 515	27 174 960	121 354 475	-	-	121 354 475	105 733 477	-	(15 620 998)	87 %	112 %	-	-	-	104 111 387
Capital multi-year expenditure sub-total	**121 383 037**	**20 674 960**	**142 057 997**	**-**	**-**	**142 057 997**	**125 876 965**	**-**	**(16 181 032)**	**89 %**	**104 %**	**-**	**-**	**-**	**114 066 347**
Single-year expenditure															
Vote 1 - Executive & Council	666 000	(291 162)	374 838	-	-	374 838	38 155	-	(336 683)	10 %	6 %	-	-	-	1 961 694
Vote 2 - Budget & Treasury Office	9 970 000	(4 200 000)	5 770 000	-	-	5 770 000	5 022 462	-	(747 538)	87 %	50 %	-	-	-	8 791 236
Vote 3 - Corporate Services	4 542 000	(313 434)	4 228 566	-	-	4 228 566	131 738	-	(4 096 828)	3 %	3 %	-	-	-	1 047 210
Vote 4 - Planning & Development	2 460 000	(300 000)	2 160 000	-	-	2 160 000	-	-	(2 160 000)	- %	- %	-	-	-	93 385
Vote 5 - Community & Social Services	15 081 000	(781 820)	14 299 180	-	-	14 299 180	2 333 536	-	(11 965 644)	16 %	15 %	-	-	-	22 388 864
Vote 6 - Infrastructure & Development	167 507 569	(6 910 258)	160 597 311	-	-	160 597 311	139 275 745	-	(21 321 566)	87 %	83 %	-	-	-	102 998 212
Capital single-year expenditure sub-total	**200 226 569**	**(12 796 674)**	**187 429 895**	**-**	**-**	**187 429 895**	**146 801 636**	**-**	**(40 628 259)**	**78 %**	**73 %**	**-**	**-**	**-**	**114 066 347**
Total Capital Expenditure - Vote	**321 609 606**	**7 878 286**	**329 487 892**	**-**	**-**	**329 487 892**	**272 678 601**	**-**	**(56 809 291)**	**83 %**	**85 %**	**-**	**-**	**-**	**228 132 694**

Nkomazi Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2020

	2019/20													2018/19
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional															
Governance and administration	**15 178 000**	**(4 804 596)**	**10 373 404**	**-**	**-**	**10 373 404**	**5 192 355**	**-**	**(5 181 049)**	**50 %**	**34 %**	**-**	**-**	**-**	**11 800 140**
Executive and council	275 000	(92 137)	182 863	-	-	182 863	21 128	-	(161 735)	12 %	8 %	-	-	-	1 961 694
Finance and administration	14 823 000	(4 635 432)	10 187 568	-	-	10 187 568	5 154 200	-	(5 033 368)	51 %	35 %	-	-	-	9 838 446
Internal audit	80 000	(77 027)	2 973	-	-	2 973	17 027	-	14 054	573 %	21 %	-	-	-	-
Community and public safety	**31 552 522**	**(7 064 713)**	**24 487 809**	**-**	**-**	**24 487 809**	**20 763 747**	**-**	**(3 724 062)**	**85 %**	**66 %**	**-**	**-**	**-**	**28 265 642**
Community and social services	30 782 522	(6 929 504)	23 853 018	-	-	23 853 018	20 598 317	-	(3 254 701)	86 %	67 %	-	-	-	17 763 450
Sport and recreation	50 000	-	50 000	-	-	50 000	-	-	(50 000)	- %	- %	-	-	-	10 288 465
Public safety	650 000	(115 320)	534 680	-	-	534 680	115 320	-	(419 360)	22 %	18 %	-	-	-	182 444
Health	70 000	(19 889)	50 111	-	-	50 111	50 110	-	(1)	100 %	72 %	-	-	-	31 283
Economic and environmental services	**87 754 408**	**(4 517 107)**	**83 237 301**	**-**	**-**	**83 237 301**	**73 425 099**	**-**	**(9 812 202)**	**88 %**	**84 %**	**-**	**-**	**-**	**97 896 477**
Planning and development	2 460 000	(300 000)	2 160 000	-	-	2 160 000	-	-	(2 160 000)	- %	- %	-	-	-	93 385
Road transport	83 024 408	(4 000 000)	79 024 408	-	-	79 024 408	72 095 406	-	(6 929 002)	91 %	87 %	-	-	-	97 654 056
Environmental protection	2 270 000	(217 107)	2 052 893	-	-	2 052 893	1 329 693	-	(723 200)	65 %	59 %	-	-	-	149 036
Trading services	**187 124 676**	**24 264 702**	**211 389 378**	**-**	**-**	**211 389 378**	**173 297 399**	**-**	**(38 091 979)**	**82 %**	**93 %**	**-**	**-**	**-**	**113 384 690**
Energy sources	8 100 000	(100 000)	8 000 000	-	-	8 000 000	5 102 013	-	(2 897 987)	64 %	63 %	-	-	-	3 576 516
Water management	168 562 676	23 764 702	192 327 378	-	-	192 327 378	164 268 245	-	(28 059 133)	85 %	97 %	-	-	-	106 738 867
Waste water management	2 000 000	600 000	2 600 000	-	-	2 600 000	3 543 558	-	943 558	136 %	177 %	-	-	-	-
Waste management	8 462 000	-	8 462 000	-	-	8 462 000	383 583	-	(8 078 417)	5 %	5 %	-	-	-	3 069 307
Total Capital Expenditure - Functional	**321 609 606**	**7 878 286**	**329 487 892**	**-**	**-**	**329 487 892**	**272 678 600**	**-**	**(56 809 292)**	**83 %**	**85 %**	**-**	**-**	**-**	**251 346 949**
Funded by:															
National Government	249 510 606	9 764 702	259 275 308	-		259 275 308	229 340 420		(29 934 888)	88 %	92 %				210 510 314
Transfers recognised - capital	**249 510 606**	**9 764 702**	**259 275 308**	**-**		**259 275 308**	**229 340 420**		**(29 934 888)**	**88 %**	**92 %**				**210 510 314**
Internally generated funds	72 099 000	(1 886 416)	70 212 584	-		70 212 584	43 338 181		(26 874 403)	62 %	60 %				37 299 925
Total Capital Funding	**321 609 606**	**7 878 286**	**329 487 892**	**-**		**329 487 892**	**272 678 601**		**(56 809 291)**	**83 %**	**85 %**				**356 549 514**

Nkomazi Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2020

	2019/20								2019
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	306 986 528	1 634 006	308 620 534	308 620 534	235 608 192	(73 012 342)	76 %	77 %	269 733 491
Government - operating	603 957 691	45 452 172	649 409 863	649 409 863	600 406 568	(49 003 295)	92 %	99 %	548 507 069
Government - capital	271 982 388	(33 513 000)	238 469 388	238 469 388	276 460 000	37 990 612	116 %	102 %	272 665 529
Interest	29 993 897	2 423 212	32 417 109	32 417 109	24 782 281	(7 634 828)	76 %	83 %	34 954 320
Suppliers and employees	(883 311 708)	(87 623 993)	(970 935 701)	(970 935 701)	(848 881 477)	122 054 224	87 %	96 %	(873 668 009)
Finance charges	(692 458)	188 229	(504 229)	(504 229)	(895 264)	(391 035)	178 %	129 %	(823 627)
Transfers and Grants	(29 075 690)	2 350 624	(26 725 066)	(26 725 066)	(821 405)	25 903 661	3 %	3 %	(1 054 758)
Net cash flow from/used operating activities	**299 840 648**	**(69 088 750)**	**230 751 898**	**230 751 898**	**286 658 895**	**55 906 997**	**124 %**	**96 %**	**250 314 015**
Cash flow from investing activities									
Capital assets	(321 609 606)	(7 878 286)	(329 487 892)	(329 487 892)	(272 678 604)	56 809 288	83 %	85 %	(249 868 312)
Net cash flow from/used investing activities	**(321 609 606)**	**(7 878 286)**	**(329 487 892)**	**(329 487 892)**	**(272 678 604)**	**56 809 288**	**83 %**	**85 %**	**(249 868 312)**
Cash flow from financing activities									
Repayment of borrowing	-	-	-	-	(2 194 378)	(2 194 378)	DIV/0 %	DIV/0 %	(1 217 940)
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(2 194 378)**	**(2 194 378)**	**DIV/0 %**	**DIV/0 %**	**(1 217 940)**
Net increase/(decrease) in cash held	**(21 768 958)**	**(76 967 036)**	**(98 735 994)**	**(98 735 994)**	**11 785 913**	**110 521 907**	**(12)%**	**(54)%**	**(772 237)**
Cash/cash equivalents at the year begin:	12 280 166	(12 280 166)			1 981 507 660				206 594 311
Cash/cash equivalents at the year end:	**(9 488 792)**	**(89 247 202)**	**(98 735 994)**	**(98 735 994)**	**1 993 293 573**	**110 521 907**	**(2 019)%**	**(21 007)%**	